

Message Text

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70

ACTION EUR-25

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TAGS: ECON, CA, US

SUBJECT: FINANCE MINISTER REASSURES U.S. BUSINESSMEN ON CONTINUED
CLOSE BILATERAL RELATIONS

1. MINFIN JOHN TURNER MADE WIDE-RANGING ADDRESS ON U.S./CANADIAN
RELATIONS TO U.S. COUNCIL OF INTERNATIONAL CHAMBER OF COMMERCE
IN NEW YORK CITY DECEMBER 10. TURNER DEVOTED ABOUT ONE-HALF
HIS REMARKS TO ENERGY CRISIS BUT ALSO TOUCHED ON LAUNDRY LIST
OF BILATERAL IRRITANTS. MAJOR POINTS FOLLOW:

2. OLD PROBLEMS: TURNER REFERRED TO PREVIOUS "BASIC DIFFERENCES
OF OPINION" OVER BALNCE-OF-PAYMENTS RELATIONSHIP, AUTOMOTIVE
PACT AND DEFENSE PRODUCTION-SHARING ARRANGEMENTS. HE SAID,
"FORTUNATELY, THESE CONTROVERSIES ARE BEGINNING TO FADE INTO
HISTORY" AS U.S. TRADE POSITION IMPROVES AND THAT THEY SOULD "BE MUCH
MORE READILY NEGOTIABLE AS MAGINTUDE OF THE PROBLEM"WHICH HAS
ALWAYS BEEN MORE POLITCAL THAN ECONOMIC--HAS BEEN REDUCED TO
REALISTIC PROPORTIONS." TURNER ALSO SUGGESTED THAT A SUBSTANTIAL
PART OF U.S. BALANCE-OF-PAYMENTS PROBLEM RESULTED FROM HEAVY
U.S. DIRECT INVESTMENT ABROAD AND THAT "ONE WAY IN WHICH
THAT BALANCE MAY HAVE TO BE RESTORED IS THROUGH INCREASING FOREIGN
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INVESTMENT, DIRECTLY OR INDIRECTLY, IN CORPORATIONS BASED IN

(U.S)".

3. CANADIAN IDENTITY AND FOREIGN INVESTMENT: TURNER NOTED THAT CANADA IS CHANGEING "AND THAT FACT COMPELS BOTH OF US TO REASSESS OUR RELATIONSHIP." HE ADDED THAT CANADA HAS BEEN DESCRIBED AS A NATION SEARCHING FOR IDENTITY AND THAT "WE ARE FINNALLY BEGINNING TO FIND IT." REFERRING TO CANADIAN DESIRE TO "STAND MORE SQUARELY ON OUR OWN FEET, TO INCREASE OWNERSHIP AND CONTROL OF RESOURCES..." TURNER SAID "NONE OF THESE DEVELOPMENTS SHOULD BE CONSTRUED AS BEING ANTI-AMERICAN." AFTER REVIEWING RECENT CORPORATE TAX CHANGES DESIGNED INCREASE MANUFACTURERS COMPETITIVE POSITION, TURNER DISCUSSED FOREIGN INVESTMENT REVIEW ACT AND CANADIAN DETERMINATION TO SECURE GREATER "SIGNIFICANT BENEFIT" FROM FOREIGN INVESTMENT. HE SAID "WE FULLY RECOGNIZE THAT FOREIGN DIRECT INVESTMENT WILL CONTINUE TO BE NECESSARY FOR FUTURE DEVELOPMENT OF OUR ECONOMY AND FOR THAT REASON IT WILL CERTAINLY BE WELCOMED. WHAT HAS CHANGED IS OUR DETERMINATION TO ENSURE THAT SUCH FOREIGN INVESTMENT IS, IN FACT, NECESSARY AND WILL CONTRIBUTE TO THE GRAEATEST EXTENT POSSIBLE TO THE KIND OF ECONOMIC DEVELOPMENT THAT IS IN KEEPING WITH OUR NATIONAL OBJECTIVES."

4. CANADA DEVELOPMENT CORPORATION (CDC): TURNER STATED THAT EVEN THOUGH CDC IS WHOLLY-OWNED BY GOC AT PRESENT IT "OPERATES QUITE INDEPENDENTLY OF THE GOVERNMENT AND OF PARLIAMENT." HE ALSO STRESSED THAT CDC DECISION TO TAKE OVER TEXASGULF WAS MADE INDEPENDENTLY OF THE GOVERNMENT, ADDING THAT SINCE U.S. HAS DIRECT INVESTMENTS IN CANADA ESTIMATED AT \$78 BILLION, THERE LITTLE CANADAIN SYMPATHY FOR THOSE IN U.S. WHO WERE ALARMED AT CDC BID FOR \$300 MILLION BLOCK OF TEXASGULF SHARES. SO FAR AS THE OVERALL ECONOMY OF THE U.S. IS CONCERNED, IT IS HARDLY A BIG DEAL."

5. ENERGY: TURNER DENIED THAT CANADA WAS "A NATION OF OGRES, MISERLY HOARDING A VAST UNDERGROUND OCEAN OF OIL IN YOUR HOUR OF NEED AND CHARGING OUTRAGEOUS PRICES FOR WHAT LITTLE WE WERE PREPARED TO SHIP ACROSS YOUR BORDERS." HE SAID 64 PERCENT OF CANADIAN OIL EXPORTED TO THE U.S. AND 55 PERCENT OF CANADIAN CONSUMPTION IMPORTED FROM ABROAD TO SERVE EASTERN MARKET. HE ADDED THAT "ONE OF THE IMPORTANT FACTORS IN CONSTRAINING DEVELOPMENT

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OF OUR RESERVES AND PRODUCTIVE CAPABILITIES HAS BEEN RESTRICTIONS WHICH SUCCESSIVE U.S. GOVERNMENTS HAVE IMPOSED ON CANADIAN OIL IMPORTS (SIC.) FROM 1959 UNTIL EARLY THIS YEAR." HE ESTIMATED THAT PETROLEUM EXPORTS TO U.S. WOULD AVERAGE 1.375 MILLION BARRELS PER DAY IN 1973-- AN INCREASE OF 17 PERCENT OVER PREVIOUS YEAR. TURNER ALSO ESTIMATED THAT AT WORST, EASTERN CANADA COULD SUFFER SHORTFALL OF ABOUT 20 PERCENT. HE NOTED SECURITY OF SUPPLY PROBELM FACING EASTERN CANADA HAS BEEN UNDERLINED BY "A

NUMBER OF AUTHORITIES IN YOUR OWN COUNTRY--INCLUDING A TASK FORCE COMPOSED OF SENIOR MEMBERS OF THE PRESENT ADMINISTRATION." TURNER SAID BUILDING OF ARCTIC GAS PIPELINE WOULD HELP BOTH COUNTRIES ACHIEVE OBJECTIVE OF ENERGY SELF-SUFFICIENCY. HE REPEATED PRIME IMINISTER TRUDEAU'S COMMENT "HE COULD SEE NO REASON WHY CANADA COULD NOT GIVE SUITABLE UNDERTAKINGS COVERING MOVEMENT OF ALASKAN GAS THROUGH PROPOSED PIPELINE TO MARKETS IN YOUR COUNTRY WITHOUT DISCRIMINATORY IMPEDIMENT,PROVIDING THE CONSTRUCTION AND OPERATION OF LINE SERVED PUBLIC INTEREST AND COMPLIED WITH REGULATORY CONDITIONS." TURNER SAID OIL EXPORT TAX "WAS NOT IMPOSED AS A MEANS OF GOUGING U.S. CONSUMERS" BUT TO INSURE THAT ADDITIONAL RETURNS WENT TO PUBLIC SECTOR INSTEAD OF PROVIDING A WINDFALL PROFIT TO U.S. AND CANADIAN PETROLEUM COMPANIES.

6. TURNER THOUGHT FINANCIAL MARKETS HAVE OVERREACTED TO ENERGY CRISIS AND THOUGHT GREATEST PRESENT DANGER TO STABILITY CAME FROM "DANGER OF PSYCHING OUT ECONOMIES INTO RECESSION," AND CALLED FOR CLOSE CONSULTATION AND COOPERATION AMONG INDUSTRIAL NATIONS IN ORDER TO "PREVENT HISTORY (OF THE EARLY 1930'S) FROM REPEATING ITSELF."

7. TEXT BEING POUCHED EUR/CAN.
JOHNSON

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